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LATIN AMERICA REPORT

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REPORTAGE ON CUBAN DELEGATION'S VISIT TO MEXICO

Domenech Meets PEMEX' Diaz

Havana GRANMA in Spanish 20 Mar 81 p 5

[Text] Mexico City, 19 Mar (PL)--A government delegation headed by Joel Domenech, vice president of the Cuban Council of Ministers, met today with the head of PEMEX, the Mexican state oil firm.

In attendance were all the members of the delegation led by Domenech, including Hector Rodriguez Llopart, minister and president of the Cuban State Committee for Economic Cooperation, and vice ministers of Basic Industry of Cuba.

The Mexican delegation was led by the director of PEMEX, engineer Jorge Diaz Serrano, and included assistant directors and technicians of the Mexican state oil enterprise.

At the meeting, which resulted in a useful exchange of ideas marked by a spirit of cooperation, the first agenda item was the work of Cuban and Mexican technicians in the area of petroleum refining.

The leaders of the Cuban and Mexican oil and petrochemicals industries also discussed the schedules for implementing the work plan which was agreed to on the occasion of the visit of President Jose Lopez Portillo to Cuba.

One of the most important subjects of discussion, examination, negotiation, revision and agreement was the development of studies envisioning exploration of possible oil deposits off the Cuban coasts.

Yesterday the Cuban delegation joined President Jose Lopez Portillo and Panamanian President Arstides Royo in ceremonies commemorating the 43d anniversary of the nationalization of oil.

Today the Cuban mission visited oil storage and refining facilities in the Valley of Mexico.

The Cuban representatives expressed satisfaction with the speed and effectiveness of the development of programs of exchange and collaboration with the state oil firm PEMEX and the Secretariat of Patrimony and Industrial Development.

Rodriguez Llompart's Remarks

Havana GRANMA in Spanish 21 Mar 81 p 5

[Article by Jose Bodes Gomez]

[Text] Mexico City, 20 Mar (PL)--Cuba today accused the United States of hindering international economic negotiations by attempting to isolate the energy problem from the rest of the topics proposed for debate by the developing nations.

The head of Cuba's State Committee for Economic Cooperation, Hector Rodriguez Llompart, today explained his nation's position to the regional conference on new and renewable sources of energy.

He defended the right of developing nations to an adequate supply of fuels, including conventional fuels, with the only limitations being those imposed by rational and optimal use of these resources.

The Cuban minister repeated his government's support for the holding of a UN conference in August 1981 on new and renewable energy sources.

He added that such a conference can help ease the effects of the world energy problem, which is caused basically by the systematic waste of hydrocarbons by imperialist and colonialist nations.

Then he denounced the plans of those nations to continue controlling a widely disproportionate amount of conventional fuels by using the argument that the new energy sources will have "a decisive and crucial impact" for future supply to developing nations.

Rodriguez Llompart maintained that the developing nations have the right to have a greater role in the use of more than 600 billion barrels of oil now held as reserves.

The minister stated, "There is an undeniable necessity for sensible and accelerated development of new and renewable energy technology, but it is no less necessary to eliminate the wasteful use of energy by the industrialized nations and to take effective measures to limit this use to what is rational and unavoidable."

He added, "Otherwise, the efforts to develop new and renewable forms of energy will be useless and the sacrifices the developing nations will have to make to cope with the high cost of the technologies will be in vain."

Also, he noted that the isolated analysis of the energy problem proposed by the United States would serve only "its egoistic interests and would obstruct the path toward basic overhaul of the unjust and exploitive international economic order which now rules international relations."

The head of the Cuban delegation emphasized that the grave difficulties faced by the developing nations in the fields of raw materials, international trade,

energy, industrialization and monetary and financial problems are indissolubly linked together.

Discussion of these areas in global negotiations, as proposed by the developing nations, is being hindered by the United States especially through its efforts to treat the energy question separately and to handle financial problems through the International Monetary Fund, which is controlled by a small number of capitalist governments.

Later the Cuban minister warned that the aggressive language used to negate the rights of the developing nations is now being combined with a revival of the imperialist big stick policy.

"The recent aggressive actions of the U.S. Government--in particular in Central American and the Caribbean, the shamless intervention in El Salvador and the threats against Nicaragua, Grenada and Cuba--are proof of the use of an immoral, reactionary approach suited to cave men," said Rodriguez Llopart.

On this point, he accused former Gen Alexander Haig, the U.S. secretary of state, of being the principal spokesman for the aggressive imperialist policy. The nations fighting for true liberty are not frightened by these threats, said Rodriguez Llopart; rather they see them as incentives to reaffirm their principles and step up their efforts.

Lastly he reaffirmed that Cuba will stand fast by its positions of principle and pointed out in this regard the policy stated by President Fidel Castro based on the decision that "principles are not negotiable."

During his speech the Cuban minister reiterated the support of his government for the proposal of Mexican President Jose Lopez Portillo to have a discussion at the United Nations on a world plan for use, conservation and development of energy resources.

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CSO: 3010/1130

AGRICULTURE DEEMED ECONOMIC SOLUTION; PRICE CZAR INTERVIEWED

Agriculture's Contribution to Development

Brasília CORREIO BRAZILIENSE in Portuguese 29 Mar 81 p 6

[Text] Brazilian agriculture now has the responsibility of contributing decisively to solving the three major problems facing our economy: inflation, deficits in the balance of payments and replacement of petroleum-derived fuels.

To help prevent a resurgence of inflation, the contribution from agriculture and livestock consists mainly of producing food for domestic supply. Having obtained the superharvest of the 1979-80 agricultural year, which enabled supplies of nearly all food products and raw materials originating in rural areas to return to normal, the nation is beginning to get good results from the current crop also. Without the special factors that made an increase in the rate of inflation inevitable last year, it is hoped that by the end of 1981 an adequate supply of foodstuffs will push prices downward.

The deficits in Brazil's external accounts have been caused mainly by the sharp increases in petroleum prices since 1974, especially in that year and in 1980. Solution of this problem also depends partly on good results from agriculture. In the first place, the country has been able to replace a significant portion of the petroleum it was consuming with renewable energy from agricultural sources. Moreover, the rural sector must provide food and raw materials which, when exported, generate foreign exchange with which to buy not only the needed petroleum but also other goods, especially industrial inputs and capital goods that the country does not yet produce in sufficient quantity. Not to mention the foodstuffs we had to import in recent years to supply the domestic market that are now being produced domestically.

A good part of the responsibility for replacing imported petroleum lies with the National Alcohol Program [PROALCOOL] and research being done to find the ideal fuel to replace diesel fuel. Alcohol is already an effective substitute for automotive gasoline and its production is being expanded, not only through use of sugar cane--in which Brazil has perfectly adequate background and technology--but also through use of other raw materials, of which manioc is the best-known example.

As for substitution of diesel fuel, consumption of which should increase as a fuel for trucks, locomotives and agricultural machinery, it has not yet been decided definitely what its ideal replacement will be. There have been experiments, with

more or less success, using hydrous alcohol, various vegetable oils, methanol obtained from wood and other vegetable sources. In any event, it seems certain that diesel fuel, used mainly to power vehicles and machinery for transportation and agriculture, will have to be replaced by renewable sources to be obtained from agricultural raw materials.

Role of Agriculture

As is seen, the responsibilities of agriculture in the current Brazilian situation are great. Will such responsibilities not be too heavy? After all, the Brazilian rural sector has traditionally been considered the most backward, with its archaic structure in sharp contrast to the very modern industries and services installed in cities throughout the nation.

It could be said here, however, that Brazilian agriculture has been the victim of a great injustice. A quick examination of the development of the Brazilian economy will demonstrate that, backward or not, agriculture has always carried great responsibilities, which it has performed to satisfaction.

Without going into greater detail, it can be asserted that agriculture provided the capital and manpower for erecting the industrial structure now existing in Brazil. It was neither by chance nor through any mysterious design that Brazilian industrialization began developing most strongly in Sao Paulo. This happened because the state already had an economic infrastructure (transportation, communications, electric power) and services that, constructed to serve agricultural development--especially of the coffee crop--led to establishment there of the industries the nation was beginning to enter.

It was mainly agriculture, here also due to the complex of activities that comprised the coffee economy, that generated the capital indispensable to installing industries. And it must also be remembered that all this was done while the sector, although depleting its own capital--since it at times had to furnish more capital than its real possibilities permitted--continued to supply without great trauma the domestic market for foodstuffs and raw materials and continued exporting and generating the foreign exchange needed to import machinery and inputs for pioneering industries while, moreover, freeing enough manpower to serve the eminently urban secondary and tertiary sectors.

Why the Backwardness?

But the sector is backward, it is argued. That may indeed be the case, if we compare it with the dynamism being shown by the industrial sector. But even so, it can also be observed that Brazilian agriculture is not entirely archaic. There are regions where it is practiced in as modern a way as in any other place in the world. In fact, not all Brazilian agriculture is backward, just as not all its industry is modern.

In large measure this backwardness can be attributed to the very responsibility that agriculture had to assume. It was necessary to provide capital and in many cases, if not in the majority of them, this capital would have been essential for reinvesting in rural activities themselves, which only in this way could have been modernized and improved. Besides this drain on its financial resources, agriculture also

had to contend with a considerable drain on its human resources, when many of its best workers entered other sectors where opportunities for advancement were more tempting.

Reversal of such backwardness, therefore, will necessarily have to come about through returning to the sector some of the capital it had to give up. It is as if industry now had the responsibility of repaying the support it received when it was being set up, and were doing so, on the one hand, through taking a smaller share of government and private investment and, on the other hand, through permitting a price relationship that begins to benefit the farmer, reversing the situation that has existed until now.

For such a reversal to occur, the government must act, and this is what has been sought by the Figueiredo government, which from its beginning emphasized the priority that must be given the rural sector. Considering the importance of agriculture for solving the basic problems that affect the Brazilian economy and, especially, having in mind that the sector's growth is indispensable for reducing social tensions such as those arising from rural-urban migration caused by insufficient employment in the rural sector, the government projected a growth for agriculture and livestock between 1980 and 1985 of about 7 to 8 percent per year. In this way, besides obtaining a significant increase of production for domestic consumption and for export, it is intended to increase employment and income for the rural population.

Support for agriculture has been embodied in measures to increase its share of investment, for which the government has acted not only directly but also through measures that induce and reward action by private enterprise and through other measures that try to improve the relationship between prices paid and received by the farmer.

For this purpose the government is using policies implemented by the various government agencies related to the sector. The following should be stressed: agrarian policy, which is intended to correct the distortions accumulated during the nation's economic development, stimulate production and productivity and settle the pioneer areas in an orderly and rational way; agricultural research and rural extension, intended to generate and improve agricultural technology and diffuse it among farmers nationwide with beneficial results on the sector's production and productivity; the policy of minimum prices, with which it is intended to stimulate production and assure its adequate remuneration; rural credit, whose subsidies are being retained in a selective way and are likely to continue until the sector has enough capital to provide the investment capacity needed to get along without this benefit; the policy for storage, distribution and marketing of production; activities to improve hygienic standards for animal and vegetable products and improve herds; forestation and reforestation activities and proper utilization of forest resources.

During 1980 a great effort was undertaken to assist the sector in the short, medium and long run. One of the measures adopted was unlinking computation of guaranteed minimum prices for agriculture from setting the basic operating costs used for rural credit. This brought about more flexibility in formulating price and credit policy, permitting attractive and remunerative prices to be set independently of providing financing for farm operating costs.

In the field of research and development of inputs and techniques that can raise agricultural productivity, activities are stressed that lead to producing better

seeds, especially for crops of basic foods, and those intended to improve conditions for managing and treating herds.

To prevent loss of effective production due to bottlenecks in storage and distribution, a center was set up last year to monitor harvesting nationwide, with special attention to crops coming from the agricultural frontier.

Moreover, specific efforts were made for crops such as coffee, sugar cane and natural rubber, in view of their importance in exports and in substitution of Brazilian imports.

The tables accompanying this article show partially the success of the policy adopted by the government, which is reflected in resumption of the growth rate, greatly reduced in previous years by losses due to climatic problems.

In 1980 agricultural and livestock production increased 7.2 percent, whereas the previous year it had decreased 3.2 percent; this outstanding increase, greater than the sector's historical rate of expansion, was due to a growth of 9.3 percent in crops and 2.8 percent in livestock.

Total crop production amounted to about 50 million tons, an all-time record volume in Brazilian economic history. This result was due in large measure to increased production of export goods such as soybeans and oranges, which increased 52 percent and 10.5 percent respectively. An outstanding expansion must also be noted in foodstuffs for the domestic market, such as rice (28 percent), corn (25.4 percent) and sugar cane (6.5 percent).

Percentage Change in Net Real Average Minimum Prices (Center-West, Southeast and South regions)

		71/70	72/71	73/72	74/73	75/74	76/75	77/76	78/77	79/78	80/79	81/80
Algodão em casca (1)	15Kg SP ⁽¹²⁾	1.97	21.36	-0.91	61.95	-4.08	0.73	17.03	-4.83	-4.81	-4.42	13.71
Amendoim em casca (2)	25Kg SP	3.93	9.14	17.83	17.30	31.38	0.59	-4.43	-12.00	-0.18	19.08	-23.89
Arroz em casca (3)	50Kg RS	2.01	12.31	19.88	3.17	30.96	-3.07	-4.01	-3.73	-1.03	7.69	7.73
Feilão branco, col. (4)	60Kg PR	3.05	7.46	15.27	30.30	0.05	1.03	13.39	-9.13	-3.47	1.83	40.46
Feilão preto comum (5)	60Kg PR	35.00	-3.63	-3.88	31.48	4.31	-1.68	19.73	-4.86	-3.47	1.83	40.46
Jute/malva (prod.) (6)	18kg SP	7.69	14.29	21.88	-2.36	10.53	14.39	-6.25	-4.67	-4.76	-7.30	27.03
Mamona (7)	60Kg SP	-0.64	-3.79	46.93	11.69	-17.63	13.43	-0.46	2.36	-0.98	10.90	10.88
Mandioca (raiz) (8)	100 SC	0.28	32.48	41.21	-12.87	-12.96	3.66	6.97	-2.36	-7.44	2.02	17.41
Mandioca (9)	40Kg RS	13.90	22.82	9.81	6.0	42.32	-2.83	-12.70	-13.25	-3.48	29.08	0.00
Soja (10)	60Kg	3.70	1.65	25.95	42.79	9.36	3.71	-9.64	-11.13	-2.06	3.08	12.50

Fonte: CFP

Key:

- | | | |
|------------------------------------|-----------------------------|---|
| 1. Unginned cotton | 6. Jute/mallow (production) | 11. Source: CFP [Production Financing Commission] |
| 2. Unshelled peanuts | 7. Castor oil | 12. Sao Paulo |
| 3. Unhulled rice | 8. Manioc (roots) | 13. Rio Grande do Sul |
| 4. White, colored or striped beans | 9. Manioc | 14. Parana |
| 5. Regular black beans | 10. Corn | 15. Santa Catarina |

Change in Harvested Area of Major Agricultural Products in Brazil
(thousands of hectares)

(1) PRODUTO	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Algodão (2)	6,299	6,375	6,644	6,279	5,833	5,876	5,678	6,103	5,953	5,643	5,764
Amendoim (3)	670	736	759	808	774	743	771	829	853	888	912
Arroz (4)	4,979	4,764	4,511	4,793	4,643	5,286	6,656	8,958	9,595	9,646	6,211
Batata-doce (5)	214	209	202	189	192	191	200	199	210	204	180
Cacau (6)	444	442	430	416	315	431	407	412	443	442	470
Café (em sacos) (7)	3,403	3,390	3,366	3,080	3,155	3,317	3,121	3,887	3,084	3,323	3,327
Canola-de-Abacaxi (8)	1,723	1,738	1,803	1,809	2,017	1,969	2,093	2,270	2,391	2,319	2,893
Faveis (9)	3,489	3,936	3,941	3,813	4,189	4,146	4,059	3,342	4,613	4,314	4,679
Fumo (10)	343	341	331	334	271	234	280	309	328	323	317
Laranja (11)	303	313	337	440	380	403	414	422	434	549	574
Maniôca (12)	3,023	3,071	3,083	3,104	3,096	3,041	3,094	3,170	3,161	3,107	3,074
Milho (13)	9,838	10,180	10,539	9,908	10,472	10,410	11,118	11,787	11,100	11,216	11,551
Seda (14)	1,319	1,714	2,191	3,413	5,144	5,824	6,417	7,070	7,778	8,311	8,754
Tomate (15)	49	69	47	43	53	47	47	51	55	57	60
Trigo (16)	1,899	2,289	2,320	1,829	2,471	2,512	2,540	2,141	2,891	2,831	2,119
Mamão (17)	381	383	377	476	541	599	587	551	548	576	644
TOTAL	34,189	36,043	36,081	36,837	39,869	41,256	42,493	44,797	44,523	43,967	47,321

Fonte: FIBGE (18)

Change in Output of Major Agricultural Products in Brazil
(thousands of tons)

(1) PRODUTO	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Algodão (2)	1,958	2,271	2,511	2,256	1,917	1,748	1,563	1,903	1,971	1,636	1,708
Amendoim (3)	429	445	456	500	452	442	510	524	535	462	483
Arroz (4)	7,553	6,943	7,825	7,147	6,764	7,781	9,717	9,935	7,243	7,589	9,742
Batata-doce (5)	1,583	1,580	1,589	1,327	1,472	1,435	1,498	1,496	2,013	2,149	1,916
Cacau (6)	197	219	221	196	143	262	232	230	264	260	228
Café (em sacos) (7)	1,510	1,520	1,491	1,743	2,231	2,543	2,52	1,915	2,051	1,589	2,153
Canola-de-Abacaxi (8)	79,753	80,380	85,106	91,877	96,626	91,529	100,173	120,171	129,123	124,323	147,954
Faveis (9)	2,211	2,688	2,676	2,229	2,228	2,262	2,440	2,282	2,186	2,187	2,642
Fumo (10)	244	244	243	234	206	186	299	340	400	413	413
Laranja (11)	15,497	16,384	18,946	26,646	29,395	31,366	32,841	33,822	34,991	40,428	44,639
Maniôca (12)	29,464	30,227	29,829	30,539	30,798	30,118	30,443	30,844	30,258	29,935	29,712
Milho (13)	14,216	14,150	14,891	14,109	14,273	14,839	17,751	19,246	17,353	16,389	20,437
Seda (14)	1,309	2,077	2,223	5,012	7,877	9,893	11,527	12,313	9,183	9,499	12,128
Tomate (15)	764	820	892	809	1,144	1,050	1,167	1,293	1,423	1,500	1,609
Trigo (16)	1,844	2,611	2,613	2,021	2,899	2,786	2,316	2,066	2,677	2,934	2,941
Mamão (17)	349	362	368	449	573	584	517	523	517	527	581

Fonte: FIBGE (18)

Key:

- | | |
|----------------------|--|
| 1. Product | 11. Oranges |
| 2. Cotton | 12. Manioc |
| 3. Peanuts | 13. Corn |
| 4. Rice | 14. Soybeans |
| 5. Irish Potatoes | 15. Tomatoes |
| 6. Cocoa | 16. Wheat |
| 7. Coffee (in beans) | 17. Castor oil |
| 8. Sugar cane | 18. Source: FIBGE [Brazilian Institute of Geography and Statistics Foundation] |
| 9. Beans | |
| 10. Tobacco | |

Former Price Official Interviewed

Brasília CORREIO BRAZILIENSE in Portuguese 29 Mar 81 p 5

[Interview with Carlos Viacava, formerly secretary of supply and prices and now secretary general of the Finance Ministry, in Brasília. "Food Will Bring Brazil \$1 Billion"; date and name of interviewer not given]

[Text] On leaving the Special Secretariat for Supply and Prices (SEAP) of the SEPLAN (Planning Secretariat) due to his appointment as secretary general of the Finance Ministry, Carlos Viacava, in interviews with the CORREIO BRAZILIENSE, showed that Brazil this year is saving \$1 billion thanks to the output of the food sector, as agricultural production last year was a record and this year will set another record. Viacava also said that price control, lifted in recent months, will not return.

Brazil is saving \$1 billion this year, thanks to the output of the food sector. That statement was made yesterday by the Planning Secretariat's secretary for supply and prices, Carlos Viacava. In an interview with the CORREIO BRAZILIENSE, he made a report of his work in the secretariat and, moreover, just yesterday the DIARIO OFICIAL published his appointment to be secretary general of the Finance Ministry.

Viacava explained the difficulty, in setting prices, of getting a balance between remunerating the producer and fighting inflation. If prices are set too low, he explains, the producer will have no incentive, output will decrease and prices will rise. On the other hand, if prices are too high, consumers will protest and inflation will be refueled. The data indicate, however, that this balance was reached. Agricultural production was a record last year and will set a new record this year. Between imports and exports of foods, the country saved \$1 billion.

Price controls have been gradually removed during recent months but, in the new economic atmosphere of less-heated demand, prices actually rose less than in previous periods. Now, Viacava says, controls are not likely to return. And he warns producers, especially industries, who are raising prices to high levels and then giving discounts in order to make sales, for fear that controls will return, that not only is this possibility out of the question for the present but the practice only makes matters worse.

The interview with Carlos Viacava follows:

[Question] In your administration of the SEAP, how did you seek a balance between remunerating the producer and containing prices to the consumer?

[Answer] This was a period of high inflation. For various reasons, periods of high inflation put us up against a complicated problem. The government could at times be

led to set prices relatively low in view of the rate of inflation, and in this way try to affect inflation itself. But over the middle or long run this policy brings disastrous results. Future crops are jeopardized if today's price is too low. It is a difficulty that is readily understood: due to being concerned about inflation, prices are set low; as a result, the next year there is no crop and thus the situation becomes much worse. After all, it is when there is no crop that prices really rise. As [Planning] Minister Delfim Netto said once, inflation is not caused by beans, but by the lack of beans. So we must be very realistic, very careful to set minimum prices that are really remunerative and in fact encourage increased output. This policy has been tested because it was followed in practice. Agricultural production in Brazil last year was a record and this year it will set another record. It has been proven that stimulating production through prices works. From the producer's point of view, although there are always complaints--we have them today; we have always had them--proof has been demonstrated. And we are now seeing that, although in one case or another crops are still insufficient, they increased at rates that previously would have been considered impossible to attain. But we attained them. This year we are saving at least \$1 billion, between imports and exports, due to the output of the food sector. We are going to stop importing some products and we are going to save a little more of others. At the same time we are going to export more. We can thus say that the improvement of the 1981-82 crop in relation to the 1980-81 crop will give us an advantage of at least \$1 billion.

[Question] During your administration it was possible to distinguish some policies that seemed contradictory: control followed by decontrol, creating categories of the economy and then eliminating them. What is the explanation for this?

[Answer] So that supply and price policy can be understood a little better, it is divided into three basic lines of action. The first is price control itself, exercised through granting permission to charge a requested price. This activity is carried out essentially by the CIP (Interministerial Price Council) and by the SUNAB [National Superintendency of Supplies], which puts ceilings on prices of certain products. Moreover, we have two other lines of action. Second, then, is activity affecting government enterprises, where we work in conjunction with the SEST (Secretariat for Control of State Enterprises), which controls their budget--which means we must have prices and rates compatible with the budget. Finally, there is the area of supply itself. What in fact changed during this period was the policy relating to price control and ceiling prices. This was not changed because it had been a mistake. Price control in the past was not a mistake. We had a situation of accelerated inflation with a disincentive to savings, which led to very overheated demand and an insufficient supply. And, if we have a very overheated demand, there are price distortions. It was these price distortions that the CIP and SUNAB tried to counteract. Later, however, policy was changed, including much more rigid monetary policy. Saving is being stimulated, demand is cooling off. So this pressure on prices was reduced, and we can now do without price control. We are now decontrolling prices on a number of products, but this does not mean that they will go higher. As demand is no longer so overheated, the market itself can be responsible for controlling prices. In fact, we can look at the price indexes and see that during December, January and February, although more prices were decontrolled, the increase in prices of the decontrolled products was, on the average, a little less than the increases that were being requested from the CIP and that quite possibly would have been granted by it. This is our major change of direction and, as can be seen, is warranted by the change in the nation's monetary and fiscal policy.

[Question] Within that framework, what will be affected by decontrol of prices and what role is now reserved for the SEAP and the CIP?

[Answer] In regard to the SEAP, very little will change. Although the SEAP will no longer pass on price adjustments, it will continue to monitor the various sectors, it will try to study them more thoroughly and act if necessary; for example, to control exports, make purchases abroad and so forth. Hence, it will continue to monitor the various sectors of the economy. And if, for example, there are shortages in a given sector, it may reduce an import tariff; if there is a cement shortage, it will eliminate taxes on the product or it will stimulate imports; it will exercise greater control over unplanned exports, should their market heat up greatly. Hence, in practice, its activity is not changing very much. But with the CIP it is different. The CIP is a bureaucratic organ, responsible for analyzing price adjustment cases individually and granting them or not. Thus, in fact, the CIP machinery will not have any more work: we are likely to decontrol about 70 percent--maybe more--of the products the CIP was controlling. My successor will decide exactly what is to be done with the CIP, with its work force, perhaps even moving it to Brasilia. CIP will probably also continue monitoring the sector, will try to formulate a more critical analysis and not simply analyze costs but try to study the problems of each industrial sector. It will be of more assistance to economic policy rather than merely control a set of prices. SUNAB will continue to be available as an instrument. The number of products that we have decontrolled since the beginning of last year, independently of any change in economic policy, indicates that SUNAB had an exaggerated amount of price controls--from sandwiches to barbers, dry cleaners and theaters--with very little practical effect. In fact, it is not possible to control many products; it is somewhat like trying to fool all of the people all of the time. I think SUNAB is a valid instrument, when it is needed to control a sector for a long time. In fact, it functions when you have a specific problem: SUNAB is used, for example, to solve a problem with the price of bread and it will do the job. But you cannot try to do this with everything all at once. When we controlled rice for 3 months it functioned perfectly, because that sector needed control. And we will continue to use this. Moreover, on many products that were controlled we eliminated the ceiling price and began working our agreements with the supermarkets. And it is working. That is what is being done with rice, for example. The government sells the rice to the supermarket and the supermarket puts this buffer stock on its shelves; we agree upon the selling price and this price is adhered to perfectly. As is the case with meat, and with beans. Thus, ceiling price is not necessary. And for this reason we have organized a system of monthly meetings, a task force from supermarkets that meets to discuss and analyze what is going on. And SUNAB participates in this, not simply as a supervising agency but as a formulator of suggestions. Today the operation of buffer stocks is extremely important to the work of the SEAP. The SEAP contacts the other agencies associated with supply, makes suggestions to the finance and agriculture ministers. It is on the basis of these proposals that the government guides, coordinates and supervises formation of buffer stocks, deciding when to buy, at what price to buy, at what price to sell, when to sell and whether more should be imported. I believe that, from the point of view of supply, the only way to contain inflation in this case is to operate the system of buffer stocks. Hence, we must increasingly manage to maintain stocks corresponding to 1, 2 or 3 months of consumption for the most important products.

[Question] What about beans?

[Answer] In 1980 we had a critical year for a number of products. But for beans it was a catastrophe. It rained when it should not have been raining and it didn't rain when it was needed, which affected production. After all, beans are very delicate. All of this affected prices in an extraordinary manner. In some regions they cost 15 cruzeiros a kilogram at the beginning of the year and 150 cruzeiros at the end of the year. Importing beans is also a very delicate question, because they are in short supply worldwide and not much is available. A small deficit for Brazil represents a large quantity in the foreign market. We imported what was available, but it was very little. As a result of this situation, the price of beans was very high. But the government set new minimum prices, much more remunerative, and with these new prices the crop is increasing greatly. We have had some damage in Irecê, but in general beans are doing well. So, without any doubt the price will bring greater production.

[Question] Price decontrol was criticized by some sectors as something that would permit free action to cartels. Does this criticism have any basis?

[Answer] Yes. It is for this very reason that we will be keeping an eye on the major monopolies and cartels. As a matter of fact, cartels can be formed at any moment. That is why [Planning] Minister Delfim Netto and [Justice] Minister Ibrahim Abi-Ackel will come to an agreement to coordinate the CADE [Administrative Council for Economic Defense], the SEAP, the SUNAB and the CIP to counteract formation of cartels. It can be noted, however, that since decontrol the behavior of various sectors is absolutely above-board and competitive. There was a great increase in output after decontrol, but later the competition served to reduce prices of various products. I would say that there were no disagreeable surprises after decontrol.

[Question] So, consumption is changing, saving is changing, but to what extent?

[Answer] Essentially, what was done was to decontrol interest rates and, more than this, to improve monetary correction. Last year monetary correction remained below inflation, penalizing passbook savings, discouraging saving and hence diverting funds that were used to build up inventories. They would be gaining more from inflation than from saving, which means that [the new policy] is helping very much to reduce inflation, because last year people did not know what to do with their money. A person who wanted to build a house 2 years from now bought iron and bricks and stockpiled them. Today that would not be the thing to do: it is much better for him to put the money in his savings account and not buy the material until he is ready to build his house. As a result, we are having a widespread reduction of inventories, from the small consumer to the big corporation. It is an extremely important factor for reducing inflation.

[Question] Is it possible to foresee a return to price controls, bearing in mind the effects of the nation's current economic policy?

[Answer] In the case of SUNAB, we have an instrument that is likely to be used sporadically, as a trouble shooter. But price control through action similar to that of the CIP I don't expect to return. Within the guidelines, the principles that are guiding monetary and fiscal policy, economic policy in general is not likely to return to what it was. As a matter of fact, the machinery was growing and a point was reached where there was too much price control. Not only do I

think it is not likely to return, but I think it would be wrong if it did. This system will continue controlling a few state enterprises, some monopolies, some essential raw materials. If at a given moment there should be a temporary problem in a given sector, a shortage of certain products, its action could be broadened somewhat, but this is the most that should rationally be subjected to the price-control system. That, in fact, is a concern we have today: many industries fear a return to price control. For this very reason they make up new price lists, with excessive prices, and have to give a discount in order to sell anything. As far as this is concerned, in the first place, the computation of the price indexes does not capture this discount, indicating increased inflation whereas in reality the discount is annulling part of this increase. Moreover, if the government had to return to price control--which it does not intend to do--it would not be based upon such price lists. It is hardly necessary to explain how harmful this practice is.

[Question] Is this a miscalculation by the business firm?

[Answer] I think it is a legitimate concern: after a businessman has spent 5, 6 or 10 years under price control he is genuinely concerned about the possibility of having to go back to it, which would be a great annoyance to him, not to mention the bureaucratic burden. But I would say that it will not do any good to do this; in fact, it is only making matters worse. This, essentially, has been our outlook regarding supply, and is likely to continue to be.

[Question] To what degree have such measures stimulated exports? Is there any basis for the assertion endorsed by Nobel prizewinner Theodore Schultz, that current exchange policy has jeopardized exports of agricultural products?

[Answer] Some time ago, export of certain Brazilian manufactured goods was receiving a fiscal incentive, which production [text end]

8834

CSO: 3001/158

GROWTH IN JANUARY INDUSTRIAL PRODUCTION DROPS TO 1.8 PERCENT

Rio de Janeiro O GLOBO in Portuguese 29 Mar 81 p 36

[Text] Brasilia--The Central Bank announced that, according to data from the Brazilian Institute of Geography and Statistics (IBGE), industrial production in January of this year "had a slower rate of growth, expanding 1.8 percent compared to 7.2 percent in the same month of 1980."

The bank mentions, however, that during the last 12 months this indicator showed an increase of 7.3 percent, which, "although less than the 7.8 percent shown during 1980, exceeds the 6.6 percent growth rate achieved during the period of February 1979 through January 1980."

By sector, the data indicate that during the last 12 months the minerals-extraction industry grew 11.4 percent, compared to 10 percent during the year-earlier 12-month period. "Despite this performance," the Central Bank remarks, "the sector's physical production fell 0.9 percent in January."

Manufacturing industry, in turn, had a 12-month expansion rate of 7.2 percent, while in the period of February 1979 to January 1980 it was 6.5 percent.

The drop in production of automobiles and tires was the main reason for the 8.4 percent decline of the consumer durable goods sector, while antibiotics and vitamins contributed toward the growth of 0.2 percent for consumer non-durable goods.

Vehicles

The automobile industry, according to these data, produced 80,698 units in the month of January, 20 percent less than the total produced in January 1980. But production of alcohol-powered vehicles reached 44,501 units, or 55 percent of the total produced and much greater than the 647 vehicles produced in January 1980.

Automobile exports reached 14,576 units, an increase of 95 percent over January 1980. "As a result," the Central Bank says, "sale of vehicles for export, showing a performance the reverse of that for the domestic market, had a larger share of the total produced."

The tractor industry produced 2,935 units in January, 15.8 percent less than in January 1980 and "the lowest level of the last 12 months, except for April of last year, at a time of strike activity," the Central Bank comments.

The aeronautics industry increased its production sharply in the first 2 months of this year, when it produced 53 aircraft, compared to the 11 units produced in the same 1980 period. There were 34 light aircraft produced in the 2 months.

Also according to the data received by the Central Bank, industrial consumption of electric power in the Light and CEMIG (Minas Gerais Electric Power Plant, Inc) systems, responsible for about 60 percent of energy produced for industrial use and about 33 percent of the nation's total supply, was 3,153 gigawatt hours in January, an increase of 12.3 percent over January 1980.

According to preliminary studies of the FIESP (Sao Paulo State Federation of Industries) and the CIESP (Sao Paulo State Industry Center), industrial employment in Greater Sao Paulo increased 0.3 percent in January over that of December and 0.5 percent over the same month of 1980. Among industry groups, the sectors of "perfumes, soaps and candles" and "machinery" had employment increases of 2.6 percent and 2.2 percent respectively, compared to drops of 1.3 percent in "food products and beverages" and 0.6 percent in "wood."

8834

CSO: 3001/158

TREASURY SURPLUS IN 2 MONTHS RISES TO CR\$3.8 BILLION

Rio de Janeiro O GLOBO in Portuguese 29 Mar 81 p 35

[Text] Brasilia--National Treasury accounts, which in January had a surplus of 600 million cruzeiros, also had a surplus of 3.2 billion cruzeiros in February, raising the 2-month surplus to 3.8 billion cruzeiros.

Receipts of the National Treasury in January and February were 236.8 billion cruzeiros, a nominal increase of 109.4 percent compared to the 122.7 billion cruzeiros received in the same 2 months of 1980.

The main source of National Treasury funds continues to be the income tax, whose collections in the 2 months totaled 59.8 billion cruzeiros (25.2 percent of total receipts), a nominal expansion of 107.3 percent over the same period last year. Income from taxes and duties was 175.9 billion cruzeiros (102.6 percent greater than January and February 1980).

Following the income tax, the most revenue was from the finished goods tax of 45.2 billion cruzeiros (62.2 percent greater than in the 1980 period), which reflects, according to the Central Bank, "a reduction in the rate of economic activity, especially in the automobile industry."

The financial transaction tax (IOF), which showed no collections in January, collected 33.5 billion cruzeiros in February, representing 13 percent of the National Treasury's revenue. This result, according to the Central Bank, represents almost 3 times as much import duties in the 2-month period (which collected 12.6 billion cruzeiros [in the 1980 period?]), "income that through September 1980 represented the third source of Treasury revenue."

Expenses

Treasury expenditures in the January-February period were 253 billion cruzeiros, a nominal increase of 108 percent over the same period last year.

Revenue-sharing funds for the states, Federal District, territories and municipalities absorbed 28 billion cruzeiros, of which 46.6 percent went to the Northeast. This distribution was 80.4 percent greater than January-February 1980.

Distribution of earmarked revenue in the January-February period was 48.6 billion cruzeiros compared to 19 billion cruzeiros in the same 1980 period, an increase of 155.7 percent.

FRENCH RADAR ORDER MAY BE CANCELLED, CTA DEVELOPS OWN RADAR

Alleged Cancellation of Order

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Apr 81 p 5

[Text] Sources close to the war materiel industries located in Sao Jose dos Campos reported yesterday that the Brazilian Government refrained from buying 40 French-built radars valued at \$640 million, a deal announced last January when President Joao Figueiredo visited that country. The radars were to be used in the Air Space Defense and Air Traffic Control System in the southern region of the country.

In compensation, said the same sources, the government promised to buy 40 of those pieces of equipment during the space of 5 years from a pool of national companies which should mass produce weather and air surveillance radars, both with 96 percent nationally manufactured parts, researched and developed by the CTA [Aerospace Technology Center], an agency of the Ministry of Air in Sao Jose dos Campos.

The companies which should participate in the manufacture of the radars will even receive the necessary resources from the National Economic Development Bank (BNDE). Financing will be released by the Technological Support Fund (FUNTEC), the only one to grant incentives, which means a 12-percent rate of interest per year without a monetary correction. The BNDE is going to provide 85 percent of the resources required directly for the first 5 prototypes, while an agency of the bank, the FINAME [Fund for the Financing of Machinery and Equipment], will be responsible for financing the industrial phase. Support for the capitalization of the companies will be done by IBRASA (Brazilian Investments, Inc.) and EMBRAMEC (Brazilian Mechanization Company).

National Participation

Brazil has already invested a little more than 1 billion cruzeiros in the CTA in 6 years of research for the development of the two types of radars which were ordered in 1975 by the government itself; one, a meteorological radar, whose first prototype has been in operation for more than 2 years and another for air surveillance, which is in a condition to be manufactured. The research accomplished in Sao Jose dos Campos was under the responsibility of CTA scientists and technicians from several national companies which make up part of the Brazilian aerospace complex.

At the same time, the industries from the war materiel sector joined in the project. TECNASA [expansion unknown], for example, invested millions of cruzeiros in the program, and Motoradio, even before the trip by President Figueiredo to Paris, was already building electronic components for the radars, moving ahead of the contract for the financing of the mass production which has been in the BNDE for 8 months awaiting final approval. That is why at that time the news from Paris that the government was negotiating the purchase of French-built radars caused amazement and protests.

However, following the guidelines of the basic plan prepared by the Ministry of Air and approved by President Figueiredo, the government opted for a greater national participation in the construction of national equipment in the aeronautics sector. The minister of air, Brigadier Delio Jardim de Mattos, said several times that he intended to use radar developed by the CTA in Brazilian airports, which will be built beginning next month by a pool of national companies, according to the report in Sao Jose dos Campos.

Fragile Agreement

In Brasilia it was announced yesterday that the protocols of intent, such as the one signed between Brazil and France for the purchase of radars and which has now been broken, are the most fragile commercial and financial instruments normally used in diplomatic circles.

Its signing between the two countries is the equivalent, just as in business, of a promise to buy or sell. That is why its cancellation by either of the parties does not create any great difficulties in the relationships between the companies or government which signed the document.

As the name of the document itself implies, the parties concerned may freely and at any time cancel those intentions without any great problems.

Use of Radar Explained

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 8 Apr 81 p 5

[Text] Ministry of Air sources in Brasilia explained yesterday that the Air Space Control System (SICEA) of the southern region of the country is going to use the two types of radar: weather and air traffic control (surveillance), both researched and developed by the CTA of Sao Jose dos Campos with 95-percent of nationally built components. Moreover, they reported that the system will need a third type of that equipment, the three dimensional, which is of sophisticated technology and for the construction of which Brazil does not have the means so that it must be imported. The tridimensional radar (imported) is already present in Brazil and is operated by SICEA (formerly SINDACTA) in the control of air traffic between Rio, Sao Paulo, Belo Horizonte and Brasilia. It is used in altitude traffic control in large areas. Its beams reach distances beyond the horizon, covering the entire area around it (360 degrees) [as published].

Its antenna is usually placed on the highest elevation in the region where it is going to perform its "sweeps" of the aircraft routes and its signals are sent to the traffic control center. In those signals there appears all the information on the aircraft, including its flying altitude and its type.

According to informants, the weather radar development project is practically ready and is at this time in the process of being transferred to private enterprise, which should mass produce it. The same thing will happen with the surveillance radar as soon as tests the CTA technicians are making with the prototypes are completed.

The policy of the Ministry of Air is that of seeking to use as much as possible all the aeronautical equipment Brazilian industry can produce, buying abroad only those items which cannot be manufactured in the country. Such is the case of the tridimensional radar, without which the SICEA will not be able to operate efficiently. The two radars planned at Sao Jose dos Campos serve for areas near the airports but have a maximum range of 300 kilometers.

In order to use Brazilian radar in the SICEA, radar which has already cost 1 billion cruzeiros in 6 years of CTA research, the Ministry of Air decided to extend the period initially scheduled for the operation of the system, granting whatever time is required for the manufacture of the equipment. If everything were to be purchased abroad, SICEA would be able to go into operation in the southern region by 1984, covering the states of Parana, Santa Catarina and Rio Grande do Sul.

CTA Change of Command

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Apr 81 p 5

[Text] Air Force Lt Brig Bertholino Joaquim Goncalves Netto, who transferred command of the CTA in Sao Jose dos Campos yesterday, which he commanded for almost 2 years, to Air Force Brig Lauro Ney Menezes, pointed out the scientific and technological research performed by the CTA, which is operated by the Ministry of Air and recognized world-wide as an important research center.

Even with the difficulties of financial type encountered, "which greatly hampered the efforts to accelerate some projects," Brigadier Bertholino Joaquim acknowledged the country advanced in the search for its own technology. He spoke of "the transfer of the weather and airport surveillance radars to private industry; the research which presented as practical the construction of dirigibles and hovercraft for the transportation of heavy loads, studies for the construction of helicopters and the development of rockets and military systems."

However, Brigadier Bertholino said: "From the first we had the problem of personnel, which for many years has been challenging all the directors of the CTA who have passed through here." The brigadier was referring to the salaries paid to "civilian personnel," scientists and professors, who generally are contracted by private companies who offer them better salaries, as soon as they become experts in research. However, he said that last 24 March the president

of the republic signed a draft bill now being sent to the National Congress, which "will definitively resolve the personnel problem."

The new CTA director, who assumed the post yesterday, Air Force Brigadier Lauro Ney Menezes, former commandant of the Air Force Academy (AFA) in Pirasununga, has nearly 7,600 hours of flying time. Before commanding the AFA, he was deputy chief of staff of the Air Force and headed the Brazilian Aeronautics Commission in Europe. He was the first Brazilian to pilot a Mirage and among his several decorations he holds the Santos Dumont, Tamandare, and Pacificador medals. Abroad, he has received decorations in Peru, France and Portugal. Brigadier Ney Menezes is a graduate of the Staff School and the High Command course. The new CTA director assumed the post in an acting status until July when he will be promoted to general rank, mandatory for CTA directors.

8908

CSO: 3001/168

LARGE AMOUNTS BEING SPENT ON SCIENCE, TECHNOLOGY

Brasilia CORREIO BRAZILIENSE in Portuguese 5 Apr 81 p 9

[Text] Today Brazil is the Third World country which spends the most on science and technology, with expenditures equal to .70 percent of its gross national product. In absolute values it outspends even developed countries such as France. However, when making those statements, the president of the National Scientific and Technological Development Council [CNPq], Lynaldo Cavalcanti de Albuquerque, demonstrated not only optimism. "It is not only necessary to have resources, but we must make sure that those resources are not wasted," he said.

It is exactly that which the CNPq—which kept the initials of its predecessor, the National Research Council—is seeking to do, says Professor Lynaldo Cavalcanti. After all, countries such as Japan or Germany are obtaining excellent results with their research in the sector, precisely because of the efficiency with which it is applied. The interview with Professor Lynaldo Cavalcanti follows:

[Question] How have the expenditures in science and technology developed in the country?

[Answer] The resources spent in science and technology are distributed either among the agencies of the Secretariat of Planning such as the CNPq and FINEP [Funding Authority for Studies and Projects] or the budgets for the various agencies linked to other ministries. The resources allocated for scientific and technological development are thus distributed in the Ministry of Education primarily through the budgets of the universities and CAPES [expansion unknown]; in the Ministry of Industry and Commerce, through its Secretariat of Industrial Technology and agencies of the sectoral science and technology systems of the ministry; in the Ministry of Agriculture, primarily through

EMBRAPA [Brazilian Agriculture and Livestock Research Enterprise], which deals with agricultural-livestock research; in the Ministry of Mines and Energy, through CEPLAC [Executive Commission for the Cocoa Production Plan] and SUDEPE [Superintendency for Development of the Fishing Industry]; in the Ministry of Health, primarily through the Oswaldo Cruz Foundation and the military ministries, which have research and development agencies such as the Aerospace Technological Center [CTA], and the Military Engineering Institute [IME] of the Ministry of the Army. This total of resources distributed among the budgets of the various ministries, has been increasing in recent years: In 1979 it reached .64 percent of the Gross National Product; in 1980, it was 2.11 percent of the country's budget, and this year, it has reached 2.17 percent. In sectoral terms, constant increases have been recorded, as is happening with the resources for the program of energy mobilization, which now reach 100 million cruzeiros.

[Question] What is the profitability of those investments in science and technology?

[Answer] In that overall amount there are sums which will only bring returns, obviously, in the medium and long terms. Those are those investments made in the training of high-level human resources, the training of researchers and professors. Other equally substantial resources are already invested in technological research institutes and in activities, which because they carry the definition of processes, have a direct influence on production lines. Therefore, such investments show more immediate returns. An example may be made of FINEP which allocates money for the support of companies in technological development. There are other programs for scientific proficiency that will have a somewhat longer period before making a return. There is no doubt, however, that the overall number of expenditures covering scientific proficiency and the search for technological independence have a great influence in the economic and social development of the country. Criticisms are made of those expenditures; it is said that the government should spend more on applied research, which has a quicker return than the money spent on basic research. However, I would say that the two areas have to be considered so as to have a balance between them. After all, those two aspects are not easily separated, it is not even easy to define that which is applied research accurately. The effort made in the past years, particularly after 1965, but particularly in the decade of the 70's, for the creation of a infrastructure of sciences in the country, already allows the government agencies, companies, and research institutions to seek to try to transfer the results obtained to the productive process and to social development. At the same time, it is necessary that the effort to acquire scientific proficiency continue, particularly because we have very great shortages in some areas of knowledge and even in multidisciplinary areas. We can also see shortages of that type at a regional level. There is a very great imbalance between the potentials and the human resources in each sector, region by region.

[Question] What is the status of execution of the Brazilian Scientific and Technological Development Plan [PBDCT]?

	1961	1970	1980
Brazil	-	0.15*	0.70*
Latin America			
Argentina	-	-	-
Mexico	-	-	0.75-1.0
North America			
United States	2.74	2.65	2.04
Asia			
India	-	0.48	-
Japan	1.48*	1.86	2.37
Europe			
FRG	1.25*	2.16	2.60
France	1.38	1.88	1.70
Italy	-	-	0.80
Soviet Union	2.18	2.79	3.10

Note: * Estimated values
 - Data not available

Comparative picture of the percentage of the Gross National Product spent on science and technology by Brazil and other countries.

	Science and Technology Millions of Cruzeiros (A)	GNP Millions of Cruzeiros (B)	Relative Share (A/B) percentage
1975	3,500,800	995,400	.35
1976	6,364,200	1,535,400	.41
1977	12,717,300	2,281,700	.56
1978	18,666,900	3,408,800	.55
1979	35,399,100*	5,619,400	.63

*Estimated

Share of the Brazilian GNP represented by total expenditures in science and technology.

[Answer] That PBDCT is a government document, actually consisting of the chapter on science and technology of the National Development Plan [PND], therefore, in the pattern of the PND, the III PBDCT is a plan which essentially establishes our priorities, guidelines and forms of action. The priorities established are those of energy, agriculture and social development. The main policies will be scientific energy, agriculture and social development. The main policies will be scientific proficiency and a greater technological independence. In addition to that, a greater effort will be made in the sense of acting in areas considered essential to the creation of an infrastructure, for example scientific and technological information, a greater use of the opportunities for international scientific exchange, with diversification in either the countries or the methods. A more efficient activity is thus envisioned in international cooperation, solving problems of instrumentation, making it possible to obtain not only the imports of parts, components, and drugs for the programming of that research aimed at development, but always, whenever possible, also to produce those instruments, those substances needed in the country itself. The III PBDCT is aimed, in short, at the creation or strengthening of the state systems of technology, involving the participation of the states in that effort more and more in an organized manner. Some states already have that infrastructure; some even have a great system, among them Sao Paulo, Rio Grande do Sul, Minas Gerais and Parana. Others are only now becoming aware of the importance of that work. There is, therefore, a great effort being made by the CNPq together with the Secretariat of Liaison with States and Municipalities under the command of the SEPLAN, for the definition and implantation of those systems through liaison with the state governments through their Secretariats of Planning. Moreover, a greater liaison with FINEP is being sought so that the priorities of the plans may be reflected in the budget, in the program of the National Scientific and Technological Development Fund [FNDCT] of the federal budget. Domestically, the permanent, continuous and useful operation of the Scientific and Technological Council of the CNPq was achieved, primarily with respect to the work of committees and subcommittees. We have, for example, created the subcommittee on energy, the subcommittee on agricultural development, the subcommittee on social development, and the subcommittee on international exchange. Those subcommittees bring together not only representatives of the scientific and technological community, but also government agencies, allowing the holding of a forum, a discussion, a better circulation of ideas. There is, therefore, a great effort of coordination so as to avoid a scattering or duplication of efforts and, at the same time, overcoming the shortages in the areas, where although they are important, there is not the corresponding effort in the production of science and technology.

[Question] What is undertaken in those subcommittees?

[Answer] The Council of Scientific and Technological Development consists of 32 members. Of them, 17 are institutional and 15 are representatives of the scientific, technological and business communities. Those from institutions are, for example, from FINEP, the BNDE [National Economic Development Bank], the secretaries of technology or general secretaries of the ministries, which are most active in the area of science and technology, such as the Ministries of Education, Transportation, Agriculture, Health, Mines and Energy, Industry and Commerce and a representative of the armed forces staff. Among the scientists,

we have persons from various areas of expertise and various regions of the country. That full council is divided into subcommittees which meet on an average of once a month and seek to prepare and discuss the action planned for their area of expertise. Thus we have specific actions in the areas of energy, scientific development, agricultural development, social development, infrastructure, international exchange and, in short, a collection of committees through which progress is made to fulfill the III PNDCT. For example, that activity scheduled for the energy sector is already an unfolding of that plan. To delve into the subject, we have already had 11 or 12 meetings of the subcommittee on energy, which is coordinated by Professor Alberto Pereira de Castro, superintendent of the IPT [Technological Research Institute] of Sao Paulo, who is also a member of the Scientific and Technological Council. We had a presentation followed by discussion on the participation by each of the various ministries in the sector, particularly that of the Ministry of Mines and Energy plus its companies: PETROBRAS [Brazilian Petroleum Corporation] and ELETROBRAS [Brazilian Electric Power Companies, Inc]. After that, through a work of coordination of energy by the CNPq of our area of planning and supervision, information from the various institutes, agencies and universities on what was being done in research was obtained and processed. Based on that, a programmed action was prepared and approved by all those members, containing the main lines and activities foreseen in researching the development of energy. We hope those programmed actions will indeed be implemented at the level of the PNDCT, the program of energy mobilization or at the level of the various ministries.

[Question] How has liaison between the CNPq and the agencies which have their own functions, such as FINEP, CAPES and, particularly, the universities, taken place?

[Answer] FINEP is an agency of SEPLAN just as is the CNPq. We are seeking a liaison, not only because liaison is necessary and imperative among our institutions, but also because it is an express recommendation of the Ministry of Planning. We are specifically discussing and seeking ways of establishing a joint action so that we can join our efforts and there will be no competition among the institutions. There have already been problems at times. Therefore, at the same time that a very objective linkage between the CNPq and other agencies of SEPLAN such as SUBIM, SAREM [expansions unknown], IPLAN [Planning Institute] SOP [expansion unknown], CEBRAE [expansion unknown] and a number of other institutions is sought, in that which refers to other ministries, not only through the relationships of the Scientific and Technological Council and liaison among our sectoral coordination groups, a greater understanding with the agencies active in science and technology in the various ministries, particularly the Ministry of Education and Culture in which CAPES and the universities are, is also being sought. We are working in close cooperation with the CAPES so that our program of scholarships are compatible and not competitive. At the same time, the CNPq is working with the Ministry of Education and Culture as an institution and with the universities seeking also to achieve an institutional liaison. This is aimed at complementing what is being done at the level of help to individuals, scholarship recipients as well as researchers.

[Question] Do you believe that companies are actually doing very little research in Brazil?

[Answer] The multinational companies generally do their research in their home country. However, Brazilian companies, the large companies, already maintain research centers and do studies on development. Within the spirit of the III PNDCT there is great interest in a greater integration among universities, research institutes and business, primarily middle-level businesses, so that there will be a greater joining of efforts and with a greater search for results in that respect. It is obvious that in addition to other agencies of public administration, the CNPq and FINEP have every interest in supporting, and causing the participation of national companies in research for development and improvement of production methods. The CNPq even created a superintendency for technological innovations, which has already been working on awakening the university research institutes to the importance of industrial property and to the need for improving linkage between supply and demand of technology. It is a program about to be completed and we are working together with some institutions, particularly SEDAI, which means Inventor Support Service, and which is linked to the government of Sao Paulo through the Secretariat of Science, Technology, Industry and Commerce. Therefore, we are obviously seeking primarily to encourage the creation of human resources in that area of law applied to scientific and technological development within the general program called "Scientific Policy and the Administration of Sciences." At the same time, we expect that through a recently created commission, the Commission of Legislation on Science and Technology, we will discuss and propose formulas aimed at improving the scientific relationship between technology and the legislation of a financial and fiscal nature linked to it. Those formulas could lead to a great participation by companies in scientific and technological efforts.

[Question] What are the priorities of the CNPq and how have they developed in the past years?

[Answer] The CNPq has its direct activities: It is an agency which maintains some institutes and performs research through them. In that respect, those institutes are: The Institute for Space Research at Sao Jose dos Campos, with some branch offices; The Amazon Region Research Institute, the Pure and Applied Mathematics Institute of Rio de Janeiro, The Brazilian Center for Physics Research, The Scientific Computation Center and the Brazilian Institute of Scientific and Technological Information located here in Brasilia. That is a sector devoted to the direct execution of research, although the Brazilian Institute of Scientific and Technological Information is an institute for technical services, which must first perform a work of coordination and policy of information of the sector, a service of great importance. With respect to its activities as a transferring organization, we have individual help to researchers distributed through advisory councils in 20 different areas of knowledge. Those councils seek to guide scientific activity in terms of areas considered the strongest or the most lacking. At the same time, we have some programs directed by sectors, such as the National Chemical Program, which is a very well established SEPLAN priority; the National Geological Science and Mineral Technology Program, the Animal Health Program, the Endemic Disease Program and the Integrated Genetic Program. In addition to that, we have two regional sectoral programs

which are being developed jointly with the Ministry of Interior on greater scientific proficiency and a better knowledge of the natural resources of the northeast region--semiarid--and of the north region--humid, tropical. In short, in the function of scientific coordination, certainly the priorities of the CNPq are those priorities established by the III PNDCT. Also, incidentally, reflected in a certain manner in other activities, the CNPq has been seeking to establish that national orientation in industry as well as in its own actions aimed broadly at scientific proficiency and technological independence. I would also add that the council also maintains a publishing program.

CNPq Wants to Disseminate Knowledge

The CNPq scheduled support to several educational entities in the freshman and sophomore years with the intention of encouraging the dissemination of scientific knowledge to the school population and also to those who have no links with the educational institutions of the country.

The first programs to receive the support of the CNPq will be those already developed by other entities so that they may expand their radius of action. In the medium term, the Council intends to create its programs with the objective of making changes in education in the freshman and sophomore years.

The first projects to have the participation of the CNPq in the next 2 years will be the following:

1. Tomorrow's Scientists Contest--Promoted by the Brazilian Institute for Education, Science and Culture (IBECC), it is an annual event on a national level. The support of the CNPq will be that of adding contests at the level of several units of the Federation to it.
2. Regional Mathematic Olympiads--Now being promoted by the Brazilian Mathematics Society. The CNPq will give its support to the Society so that the competition will be carried out on a regional level as of 1982.
3. Symposium on Innovations in the Teaching of Science--Actually, the symposiums will be the renewal and expansion of the old competition "Science Professor of the Year," which has been discontinued in order to promote the national gathering of science professors of the first grades every year.
4. Jose Reis Prize--The prize will be awarded to the journalist who has distinguished himself that year for his work in the field of scientific journalism. On a state level, honorable mentions will be awarded to journalists who contributed in a significant way to scientific dissemination.
5. Science Club--Three higher education institutions and three normal schools which have the suitable conditions will be chosen, which means a teaching body interested in receiving resources and creating a Science Club.
6. Activities promoting the teaching of science--The idea is to help the professors of the first grades in initiatives which will improve education.

7. Support to science teaching magazines—The objective is to encourage the appearance or consolidation of magazines aimed at the improvement of the teaching of science. At the same time, those magazines should adopt measures to insure their self-sufficiency within the short term.

8. Support to associations whose purpose is the improvement of the teaching of science—The objective is to support associations of science professors already in existence or which are going to be created and which enfold professionals of any grades of education. The association must have scientific and cultural objectives and must provide its associates the chance and conditions for the exchange and dissemination of **opinions**.

8908

CSO: 3001/172

RECORD NUMBER OF TOP ARMY GENERALS RETIRING

Rio de Janeiro MANCHETE in Portuguese 28 Mar 81 pp 130B-130C

[Article by Murilo Melo Filho: "Renewal of Army High Command"]

[Text] Next week the largest number of vacancies in the general ranks of the army since the inauguration of President Figueiredo will be opened: There will be 25 vacancies which include three generals of army, seven division generals, 12 combat brigade generals, one division quartermaster general, 1 military engineer brigadier general and one quartermaster brigadier general.

Rarely, as now, has there been such a broad reshuffling of the army high command.

Two army generals will face compulsory retirement this 25 March, leaving vacancies in the High Command. They will have completed 12 years as generals. They are: Gens Ernani Ayrosa da Silva and Antonio Carlos de Adrada Serpa.

The former, a soldier of the FEB [Brazilian Expeditionary Force], was the chief of the army staff and held the post of temporary minister. He is considered a liberal, a stickler for the law, defender of the state of law and a man who does not flout the law. He likes to talk. He was the best Brazilian captain in World War II and the most decorated officer. He commanded the military garrison at Planalto for 21 months, headed the staff of the 2nd Army during the so-called "Operation Bandeirantes", he directed the Training and Improvement Department, commanded the military garrison of the Amazon Region and the 11th Military Region; headed the Department of Education and Research. He is a Carioca, was a Brazilian target shooting champion, is a fan of the Botafogo soccer team, likes music, theater, television, the opera, dance and literature. He is single and has shown himself to be an extremely human military man with a life devoted to the army. He is retiring from active duty after 45 years of military service.

The second, also a soldier of the FEB, became a general almost at the same time as his brother, Jose Maria, known as the dark Serpa while he was the blonde Serpa. For a short time they served together in the Army High Command. Then Gen Jose Maria was appointed to be chief of staff of the armed forces, where he died a few days later. Gen Antonio Carlos began to be considered a dissident as soon as he obtained his four stars. In a broadcast from the headquarters of the Military Service Directorate, he made criticisms against the multinationals and attacked

the policy of population control. President Figueiredo asked that General Andrada Serpa be warned and advised to keep his opinions for private conversations. But he was not heeded. At another time, the chief of the DGP [General Department of Personnel] renewed his attacks against the multinationals, advocated the open participation of the military in political affairs and asserted that he had been one of those mainly responsible for the rise of General Joao Figueiredo to the Presidency of the Republic. The government could not allow that new cases be created similar to those of Generals Filvio Prota and Hugo Ahreu, whose differences went as far as to threaten the stability of the Geisel Government. General Andrada Serpa was then dismissed from command of the DGP. Although without a job, he did not ask for a transfer. That is only going to happen this week. Withdrawing to Barbacena, he went to Sao Paulo to be honored at the Engineering Institute, where he talked once more: "There is no longer anyone with the courage to defend the 1964 Revolution because there is frustration and disenchantment in the Armed Forces because of what they believe is the injustice of the distortion of their image." Later he signed a manifesto: "In Defense of the Threatened Nation," for which he was punished with two days of house arrest. He now faces compulsory retirement after more than 50 years of active service.

The third four-star vacancy was opened with the appointment of the recently promoted Army Gen Alacir Frederico Werner to command the Superior War School to replace Adm Carlos Henrique Rezende de Noronha, who is going to be the minister of the Maritime Court. Gen Alacir Frederico Werner served in the FEB as aide to Marshal Mascarenhas de Moraes. He participated in the 1964 conspiracy when he was office assistant to Gen Humberto Castelo Branco, then chief of the army staff.

He was later secretary of the Ministry of the Army and commander of the 7th and 10th Military Regions with headquarters in Recife and Fortaleza, respectively. He was deputy chief of the army staff when he was promoted to four-stars, passing over Gen Herman Bercquist, who was at the top of the promotion list and was the temporary chief of the General Department of Personnel after the removal of General Andrada Serpa. He belongs to the same class of officer candidates of 1937 as General Joao Figueiredo at the Realengo Military School. The only difference is that he is artillery and the president is cavalry. He is held as being one of the intellectuals of the army, with great understanding of the civilian and political areas. He is a personal friend of Gen Golbery do Couto e Silva. After leaving the General Secretariat of the Ministry of the Army, which he held during the ministry of General Belfort Bethlen, he declared the armed forces were permanently dedicated to the fulfillment of their constitutional duties and concerned with the welfare of the nation, guarding the security of the people, maintaining their social integration, guaranteeing their progress in a sovereign, free and democratic land.

The other new four-star general will be Gen Heitor Furtado Arnizaut de Mattos, now deputy chief of the Department of Education and Research. An infantry officer, he became a general on 25 July 1971, which allowed him to remain on active duty until 1983. As a general, he commanded division artillery for the 3rd Infantry Division located in Rio Grande do Sul, the 6th Armored Infantry Brigades; he was the director of transportation, director of Specialization and Extension, commander of the Planalto Military Command and the 11th Military Region, at which time he acted decisively in the episode of the dismissal of General Silvio Prota by the then President Geisel. Placing himself at the side of the president of the republic and mobilizing his entire military machine to insure compliance with the dismissal, Gen Heitor Arnizaut was the key element which insured compliance with the presidential order and the dismissal of the minister of the army. He served in the Sampaio Regiment in Italy from 22 September 1944 to 8 May 1945. As a cadet in the Realengo Military School in the communist revolution of 1935, he fought against the rebels of the Military Flying School. He holds the Combat Cross 2nd Class, the Campaign Medal, the War Medal and in foreign decorations he has the Order of the British Empire and the Legion of Merit from the United States.

Another vacancy in the High Command will be occupied by Gen Heitor Luiz Gomes de Almeida, who replaced his namesake, Gen Heitor Arnizaut, in the command of the Planalto Military Command and the 11th Military Region, where he has been in charge of the entire military complement of Brasilia since 31 January 1979. He became a general on 25 March 1972, which allows him to remain a general until 1984. Originally in the cavalry, as a general he was commander of the 4th Cavalry Division of Campo Grande, the 1st Motorized Infantry Brigade of Rio, the 5th Armored Cavalry Brigade of Rio, Inspector General of Military Police, Chief of the 3rd Subdirector of the Army Staff, director of Preparatory and Follow-Up Education and, finally, Planalto military commander. As a cadet in the Realengo Military School, he fought against the Military Flying School rebels in the communist uprising of 1935. He was chief of the Brazilian Military Mission to Paraguay and took the course for Senior Foreign Officers in the Intelligence School in Baltimore, in the United States.

Another four-star vacancy will be occupied by the present division general Tulio Chagas Nogueira, who is now the commander of the 2nd Military Region in Sao Paulo.

He is a careful observer of national events such as the strikes by the unions of Sao Paulo which he follows with great interest. He was elected by his colleagues as president of the Military Club, which he headed from June 1979 to June of last year. Brother of economist Denio Nogueira, he will probably be chosen to be chief of staff of the army to replace Gen Ernani Ayrosa. His selection for the second most important point in the hierarchy of the army is the just recognition of his personal qualities because when a general receives four stars he is generally appointed to command an army or to be chief of some department, however, rarely is one appointed to be the chief of staff. In activities having to do with education, he was commander of the Porto Alegre Military College,



Army General Antonio Carlos de Andrada Serpa, former chief of the Personnel Department.



Army General Alacid Werner, who is going to command the Superior War School.



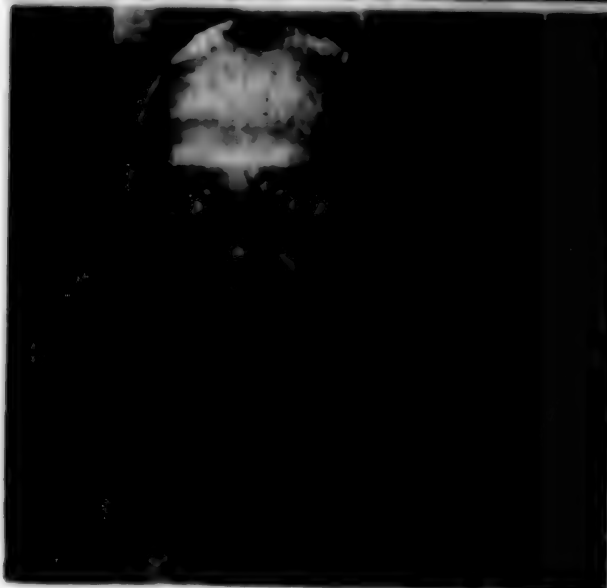
Army General Ernani Ayrosa, who is leaving as army chief of staff.



New four-star general Tulio Chagaa, now commanding the 2nd Military Region.



Army General Heitor Arnizaut, now deputy chief of the Education and Research Department.



Army General Heitor Gomes de Almeida, now chief of the Planalto Military Command and the 11th Military Region.

commander of the Corps of Cadets, chief of the Education Division and deputy commander of the Agulhas Negras Military Academy, instructor-chief of the War Materiel School, deputy commander of the Specialized Education School, instructor of the ESAO [Officer Training School], instructor of the ECEME [Army Command and General Staff School], member of the permanent staff of the Superior War School, chief of the Brazilian Military Training Mission in Paraguay, director of Training and Improvement, and commander of the Agulhas Negras Military Academy. In activities having to do with national security, he was an assistant in the Secretariat of the National Security Council, chief of the National Intelligence Service section, assistant secretary to the deputy chief of staff of the armed forces and commander of the 2nd Mechanized Cavalry Brigade. He is the author of several publications: "The Economy of War," "National Mobilization," "Strategic Intelligence and National Security" and "Development." Known for his intellectual activities, he has good relationships with civilian and political leaders.

Candidates for the combat brigadier general vacancies are: Cavalry Colonels Amando Luiz Malan de Paiva Chaves, Pedro Theophilo Gaspar de Oliveira, Jose Maria Caldeira, Hans Gerd Altenburg, Armando de Moraes Ancora Filho; Artillery Colonels Paulo Tasso Saraiva, Antonio Luiz Rocha Veneu, Antonio Joaquim Soares Moreira, Romero Lapesqueru Sobrinho; Engineer Colonels Inaldo Seabra de Noronha and Orlando Morgado; Infantry Colonels Joao Manoel Sinch Brochado, Luiz Guilherme de Freitas Coutinho, Ary Vaz de Mello da Fonseca, Murilo Alexandre, Armando Patricio and Paulo Figueiredo Andrade de Oliveira. The candidates for the division general vacancies are: Brigadier Generals Jayme Miranda Marihat, Haroldo Erichsen da Fonseca, Ivan Dentice Linhares, Paulo Campos Paiva, Edison Boscacci Guedes, Jorge Frederico Machado de Sant'anna, Alvir Souto and Newton Araujo de Oliveira e Cruz. The last one, because he is now attached to the command of the National Intelligence Agency, will not receive a promotion to replace another officer since it will be made regardless of vacancy.

8908

CSO: 3001/157

INFORMATION ON NATIONAL INTELLIGENCE SERVICE REVEALED

Rio de Janeiro JORNAL DO BRASIL in Portuguese 22 Mar 81 p 12

[Article by Tarcisio Holanda: "SNI Has 2,000 Employees and a Budget of 700 Million Cruzeiros"]

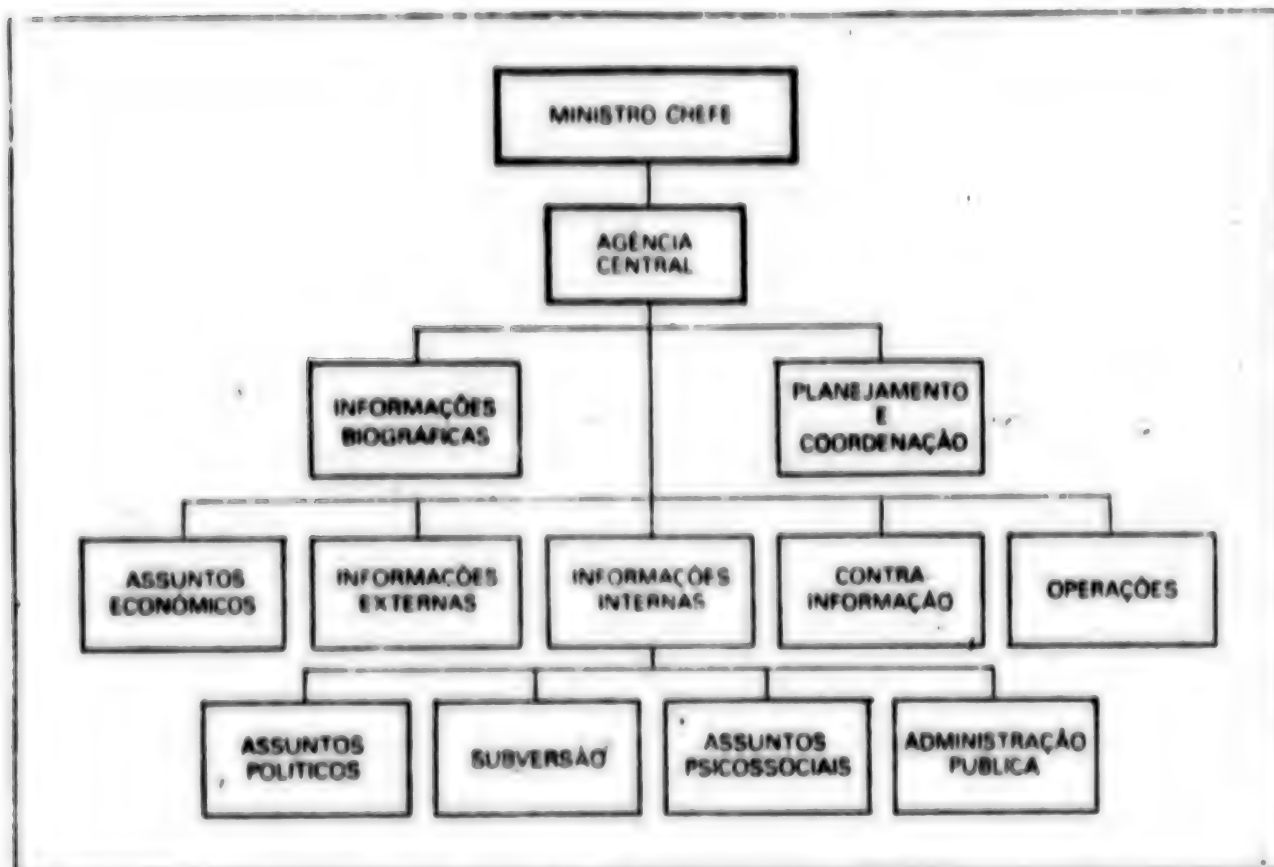
[Text] Brasilia--Two thousand officials, the majority civilians, make up the personnel of the National Intelligence Service--SNI--created in 1964 during the administration of President Castelo Branco, an idea of Gen Golbery do Couto e Silva, its first chief, whose aide in the institution of the new agency subordinated to the Presidency of the Republic, was the then Col Joao Baptista de Oliveira Figueiredo.

The budget allocation of the SNI for 1981 is 700,590,000 cruzeiros, including secret expenditures. Its highest leaders deny that it is a bogeyman that frightens politicians, public officials, students and intellectuals, emphasizing that "its functions are informational, never those of decision making or execution."

Creation

Law No 4341 dated 13 June 1961 created the SNI. Gen Golbery do Couto e Silva, the present minister-chief of the Civilian Household of the Presidency of the Republic, was its first chief and the then Col Joao Baptista Figueiredo was his principal aide, appointed to be the chief of the Central Agency located in Rio de Janeiro.

The present chiefs of the SNI and the Central Agency, Gens Octavio Aguiar de Medeiros and Newton Araujo de Oliveira e Cruz, who were then lieutenant colonels, were with Colonel Figueiredo in the Federal Intelligence and Counterintelligence Service (SFICI), an agency subordinated to the General Secretariat of the National Security Council.



National Intelligence Service table of organization

Key:

- | | |
|------------------------------|--------------------------|
| 1. Minister Chief | 8. Counterintelligence |
| 2. Central Agency | 9. Operations |
| 3. Biographic information | 10. Political Affairs |
| 4. Planning and Coordination | 11. Subversion |
| 5. Economic Affairs | 12. Psychosocial Affairs |
| 6. Foreign Intelligence | 13. Administration |
| 7. Domestic Intelligence | |

The SNI was created on 13 June 1964. Its Central Agency was then made up of the SFICI headed by Colonel Pigueiredo, who later left the General Secretariat of the National Security Council and went on to work for the institution of the new agency.

The first three articles of Law 4341/64, define the basic concept which presided over the creation of the SNI. They are as follows:

Article 1. The National Intelligence Service (SNI) is created as an agency of the Presidency of the Republic. In subjects having to do with national security, it will also work for the National Security Council.

Article 2. The SNI has the responsibility to supervise and coordinate intelligence and counterintelligence activities throughout all national territory, particularly those which affect national security.

Article 3. The SNI is particularly charged with:

A) Advising the president of the republic in the orientation and coordination of intelligence and counterintelligence activities which affect the ministries, state and autonomous services and parastate entities.

B) Establishing and insuring, keeping in mind the complementation of the national system of intelligence and counterintelligence, the necessary understandings and liaisons with state governments, private entities when necessary, and with municipal administrations.

C) Proceeding, at the highest level, to collect, evaluate and integrate intelligence to help in the decisions of the president of the republic and the studies and recommendations of the National Security Council, as well as in planning activities by the secretary general of the council, which is subordinated to the minister chief of the Military Household.

D) Promoting the proper dissemination of intelligence and estimates deriving therefrom in the area of government.

In the first evaluation which took place at the end of 1964 by a decision of President Castelo Branco, attended by the entire cabinet in addition to the president, Gen Golbery do Couto e Silva pointed out in his introduction the role that intelligence had occupied in serving a well-recognized and always neglected need which went beyond the limited field of national security to affect the unlimited area of national policy.

At that time, the then SNI chief pointed out the informative nature of the agency, denying it any executive authority because it would distort its true identity, otherwise "the agency would begin to worry about its own creation and live only for that purpose."

A specialist of the intelligence community says that it was not in answer to that warning by General Golbery do Couto e Silva that the "Manual of Intelligence" approved in 1976 by the chief of the SNI, Maj Gen Joao Baptista de Oliveira Figueiredo, was prepared. In its initial considerations it stated textually: "The intelligence agencies do not have the authority to make decisions nor do they perform an executive function."

According to the same source, since its creation "under a doctrinaire concept, which was up to a certain point ambitious, the SNI has been ruled by a scrupulous restriction of funds, since the law which created it gave it only 200,000 cruzeiros for its institution."

The budget for 1981 gave it the sum of 700,590,000 cruzeiros, which includes possible expenditures of a secret nature.

Initially, almost all those who made up SNI cadres were requisitioned personnel, with high-ranking military personnel predominating because "There was no way to recruit reasonably skilled personnel outside of the armed forces." Today, it is reported that things are different because the employees, particularly analysts and agents, are of a satisfactory level.

There are more civilians than there are military. Generally, 26 percent are military on active duty, 12 percent are military reservists and 62 percent are civilians. A reliable informant asserts that the number of SNI employees does not exceed 2,000, describing as "fantastic and exaggerated" the estimate of 300,000 employees published by a magazine.

"There are no privileges of military over civilians," asserts that source. "There are civilians who supervise military personnel and military personnel who supervise civilians. There is also no distinction between active duty and reserve military personnel. The only restriction is that an active duty military man cannot be directly subordinate to another active duty military man who has less rank than he has."

According to the same informant, the SNI today has employees in all the active organizations, employees distributed by the headquarters of the service (including the office of the minister), the Central Agency, 13 regional agencies, the administrative secretariat and the internal control inspectors office.

ESNI created in 1971

Created in 1971 when General Medici was president and Gen Carlos Alberto Fontoura was chief of the SNI, the National Intelligence Service School (ESNI) has contributed significantly to the training and improvement of SNI personnel and the national intelligence system, according to that reliable source.

"In short," he declares, "it has the mission of establishing a common language within the SESNI (National Intelligence System) by training qualified personnel and training them in the same technical principles. Different courses and professional training help to train intelligence chiefs, analysts and agents ranging from the highest level to those of intermediate level, that is, the regional and sectoral level.

"The intelligence community is a collection of intelligence agencies which have secret missions or which are active in the same territorial area. They can be of two types: The community of the sectoral intelligence agencies of civilian ministries made up by security and intelligence divisions coordinated by the SNI Central Agency, or the regional intelligence communities, which include, under the coordination of the regional SNI agencies, the intelligence agencies of the respective areas of action.

Basically, the national intelligence system consists, according to the same specialist, of the SNI, the sectoral intelligence systems of the civilian ministries, the sectoral intelligence systems of the military ministries and the military strategic intelligence system.

In the civilian ministries, the central agency of the sectoral system is the Security and Intelligence Division (DSI), which does not perform police activities and is nothing more than an updated version of the old National Security and Mobilization Section of those ministries. The intelligence agencies of entities subordinated or linked to the ministries are the security and intelligence advisory offices (ASI) created always by recommendation of the pertinent minister and the approval of the SNI.

The Security and Intelligence offices may have personnel which varies from five to eight employees, while the Security and Intelligence Divisions have from 35 to 60. There are 14 Security and Intelligence Divisions, and 145 Security and Intelligence Offices with a total of 960 employees counting chiefs, advisers, analysts and support personnel throughout the entire country.

The SNI chief has minister of state status. The Central Agency which operates in the southern police sector of Brasilia, has a 5-story building and is the head of that large hydra. Linked directly to the office of the chief of the Central Agency, Gen Newton Araujo de Oliveira e Cruz, are the Planning and Coordination and the Biographical Information Sections.

250,000 Dossiers

There are five directorates: Domestic Intelligence, Foreign Intelligence, Economic Affairs, Counterintelligence and Operations. The Directorate of Domestic Intelligence is subdivided into Political Affairs, Subversion, Psychosocial Affairs and Public Administration. The specialists do not like to go into details but there are reports that there are 250,000 dossiers of Brazilian citizens in the SNI Biographic Section.

The SNI usually participates in the selection of personnel for public administration but its members deny that the service can fire this or that employee. Normally, depending on the information collected in the file of the employee who is being hired, the SNI recommends or does not recommend his hiring. SNI personnel deny, for example, that the service vetoed the hiring of 31 advisers at the time that Eduard Portela was minister of education.

"The service disapproved the hiring of three advisers at the time of Eduard Portela as minister of education. Minister Portela did not heed our opinion and hired one of them who later was guilty of an irregularity in the ministry," said an SNI source.

No one in the SNI will speak about telephone taps although the overwhelming majority of politicians are convinced that their telephones are being monitored. They know that all the telephone conversations of the president of the republic are recorded, including conversations with ministers of state and high officials of public administration.

It is reported that when the minister-chief of the Secretariat of the Press Media (now abolished) Said Farhat was telling the president of the republic that certain persons who were close to a friend of the president could not be trusted, he used profanity. Subsequently, Minister Farhat received a recording of the conversation with a memorandum from the chief of the Military Household, Gen Danilo Venturini, telling Farhat that he should avoid using expressions of that type in talks with the president.

Specialists

The SNI has specialists among its personnel on the church and the student movement, this in the educational context; in the union movement and technicians in clandestine organizations of subversion, however its members usually say that the activities of the agency are much broader.

In addition to the SNI, there are the three intelligence services of the three armed forces: The Naval Intelligence Center (CENIMAR); the Army Intelligence Center (CIEA) and the Air Force Intelligence and Security Center (OCISA), plus the Department of Political and Social Order (DOPS) and the Federal Police Departments.

Foreign Intelligence

The SNI obtains its foreign intelligence, according to a specialist, basically from the collection of information from open sources such as foreign magazines and newspapers of all ideological tendencies, and from publications of international organizations and entities, foreign radio newscasts and even news and reports about foreign agencies.

All these collected bits of information cover about 70 percent of foreign intelligence. The rest of the information is obtained from reports provided by Brazilians or by foreigners who make business or tourist trips, occasional contacts with similar foreign intelligence agencies in Brazil and abroad, official contacts, particularly when government delegations go abroad, "or possible deserters from adversary intelligence services."

With respect to foreign intelligence, an aspect considered by the SNI is espionage. It takes place in all countries of the world and, therefore, the SNI has faced problems in this area.

"It happens, however," declares the specialist, "that the adversary interest is in all fields and only through illegal activities can they obtain advantages at the negotiation table."

It is up to the counterintelligence sector to neutralize espionage. Therefore, says the specialists, using all the information obtained by the most diverse methods, counterintelligence manages to neutralize the activities of that adverse espionage through covert actions.

The SNI is also active, through its countereespionage activities, together with private and state entities and organizations, in the prevention of espionage and the protection of their secrets, primarily in the industrial area. Countereespionage also provides protection to communications with foreign countries, since the concern is the maintenance of secrecy and codes in view of the communications exchanged with Brazilian embassies abroad.

Integralists Helped at the Beginning

In 1964, the revolution having been victorious, the pioneers of the intelligence community achieved the dismantling of the communist organizations in Minas with unexpected efficiency. The help of the remnants of the integralists was decisive in the success of the operation. At that time they were organized in the Party of Popular Representation and they placed in the hands of the man who is chief of the SNI today, Gen Octavio Aguiar de Medeiros, a list of names which provided the agents of the Fourth Infantry Division with the information needed for action. Recently, when the Pernambuco Telephone Company exhibited a telephone which showed on a viewer the number of the telephone at the other end of the line, it was learned that this novelty has been part of the paraphernalia used by the SNI for more than a year. The SNI developed it and tested it in association with a small telecommunications equipment manufacturing company.

The phase of sophisticated electronics being reached, the intelligence community, through its main center, which is the SNI, is active in a field whose scope ranges from the checking of the cost of living index disseminated by socioeconomic research institutes, to the ideological profile of some settler being considered for a land grant by the INCRA [National Land Reform and Settlement Institute].

Area of Study

The jungle zone of Pernambuco, where 240,000 extremely poor rural workers are concentrated, became an area for study after the intelligence agencies detected the resurgence of unionism in the region. The same attention has been given to the Alagamar region in Paraiba where the SNI promoted the distribution of land among homesteaders.

Those two areas of social tension are being closely watched by the government, which through a network of informers coordinated by Col Clidenor de Moura Lima, knows the extent of church involvement, the activities of leftist organizations and the status of the workers, the sugarcane growers and the mill operators.

The interest of the SNI in the cane-growing region of Pernambuco has caused Gen Otavio Medeiros himself to go there incognito to observe the strike of the workers of Paudalho and Sao Lourenco in the jungle zone last year. The execution of "Project Viver" aimed at improving living conditions in the sugarcane fields was the final result of that visit.

The link between the intelligence communities and the state governments is accomplished through the main specialized departments--the already known DOPS and the Special Investigations General Department (DGEIs), which has been created more recently. Elsewhere there are the secret services of the PM [Military Police] known as P-2.

That link, however, showed some divisions, which are certainly being the object of concern of the intelligence community after the events of Salvador last week. The strike by the PM of Bahia would not have reached the proportions it attained--80 percent of the troops supported the movement--if it did not have in its leadership such former members of the P-2 such as Col Oto Aguiar, arrested on the first day of the strike.

Counterintelligence work by specialized police of the PM was intensive during the movement, confusing the state government. The situation can only be controlled if officials of the CIEs go into action.

Strikes

One of the main overt activities of the security agencies in Rio Grande do Sul is that of watching the strike movements and to act when necessary. In November last year, at Piratini Palace, the then commander of the 3rd Army, Gen Antonio Bandeiro, the local chief of the SNI, Col Daniel Lomando, and Federal Police Regional Superintendent Col Luis Macksen de Castro Rodrigues persuaded Governor Amaral de Souza to accept the counterproposal by Rio Grande do Sul teachers, which was a decisive factor in ending the teachers strike.

Shortly afterward, the 3rd Army and Federal Police prevented the outbreak of a strike by watchmen, pressuring the owners of security companies to pay that which had already been agreed upon in the Regional Labor Court.

Since 1973, the SNI has been requesting reports on areas of conflict and on union activities from employer and worker federations.

The commander of the 3rd Army, Gen Antonio Ferreira Marques, receives the agency chief of the SNI, the superintendent of the Federal Police and the secretary for security in weekly audiences. Several commanders of the area were in the SNI. The commander of the 3rd Military Region, Gen Jose Albuquerque was director of the ESNI; the commander of the 3rd Army Division, Gen Sebastiao Ramos de Castro, headed the SNI agency in Rio in 1964. In the state, the key posts are subject to a rotation: the present secretary for security, Col Oswaldo Leivas Job was in the 2nd Section of the 3rd Army; Colonel Macksen of the Federal Police was in 2nd Section and chief of the DCI, now the SCI (Central Intelligence Supervision) of the Secretariat for Security; Col Amilcare Mambrini, deputy chief of the SNI, was in the 2nd Section of the 3rd Army. Another former secretary, Col Atois Rodriguez, went to the SNI agency in Brasilia. Lt Col Atila Rohsetzer has been the chief of the SCI, which controls the Rio Grande do Sul DOPs, for more than 7 years.

Enter Without Knocking

Whoever arrives by elevator at the 13th floor of the old building of the Ministry of Finance in Rio will find on the right a large wall covered with grey formica with a protective cover of maroon-colored glass in its upper part. At the end of the wall there is a door, also of grey formica, with a sign which says "Enter Without Knocking." That is where the SNI agency operates in Rio.

An official who needed a shave solicitously waits on me. However, when he learned that the visitor is a reporter seeking the chief on duty, he shakes his head negatively:

"The chief is not here."

After some insistence by the reporter, a definitive answer is given:

"There is a standing order not to receive reporters."

"Not even with an appointment?"

"Not even with an appointment."

Outside the building, it is possible to learn that the SNI agency recently underwent some changes, obtaining more operational and comfortable installations. The service maintains liaison personnel in many areas. In the Legislative Assembly, for example, the known agent is a secret service agent of the Military Police. All sessions, in addition to being recorded by stenographers, are recorded.

In Acre, the area of security and intelligence is the responsibility of the Federal Police, who have a headquarters in Rio Branco and a subheadquarters in the municipality of Brasília on the border with Bolivia, and the intelligence center of the army is operated by the 4th Special Border Battalion (4th BESF).

In 1978 the SNI deactivated the Acre office, transferring the responsibility for covering Acre to the Manaus agency. When some more serious conflict explodes among the homesteaders, Indians or land buyers, which involves other entities such as the church and unions, agents are sent to Acre.

The Civilian Police and Military Police have their own intelligence services still in the phase of organization. The collection of intelligence is being accomplished by the more experienced police commissioners or officers of the PM. The Federal University of Acre also maintains a fully active internal intelligence service and the INCRA regional coordination office also has an intelligence office.

One of the sectors most watched by the security and intelligence agencies operating in Acre and the Prelature of Acre is Purus, which has as its head Bishop Moacyr Grechi, chairman of the Pastoral Land Committee [Comissao Pastoral da Terra].

An assembly on the Indian and land ownership problems was being held at the Pastoral Training Center of the Prelature in August 1976. That night, while closing the windows of the building, a pastoral agent found a box-like object on the sill. When he put his hand on it he felt that someone outside was trying to pull it away. He seized the object with more strength and he found that he was holding a frequency modulated minitransmitter, which had been placed at the window to transmit whatever took place at the assembly.

Rivalries

Despite making up the parts of a national system, the various agencies of the intelligence community still show disagreements in its operations. In Pernambuco, it is unlikely that the SNI agency will resort to the files of the DOIS, Federal Police and the Army and Air Force intelligence sections. A source of the Secretariat for Security gives this explanation: "They have equipment we do not even know how to operate."

However, it has not always been the degree of sophistication which has been the reason for the lack of coordination among the security agencies. In August 1979 after the amnesty, Councilmen Glenio Peres and Marco Klassmann went to resume their terms in the Municipal Chamber of Porto Alegre. The then commander of the 3rd Army, Gen Antonio Bandeira ordered the Federal Police to arrest them.

The four agents sent to look for the councilmen and arrest them as soon as they entered the Chamber, remained in the street waiting for the order from Brasilia. The then Minister of Justice, Petronio Portella, managed to cancel the order for the arrest and avoided an incident that could have compromised the process of democratization.

Some thousands of citizens of Bahia have individual dossiers in the security agencies. Comparing the dossiers of the same persons in the Army, Navy and Air Force files, an important civilian authority discovered a very great disparity in information. Sometimes the dossier was negative in the 2nd Army Section and there would be nothing in the Air Force file.

"There is a great deal of pressure by military personnel in the reserves or about to be retired in seeking employment in the intelligence area." The statement is by the chief of the Advisory Office of Security and Intelligence (ASI) of one of the subsidiaries of TELERAS [Brazilian Telecommunications, Inc] in Parana. As far as he is concerned, the majority of that military personnel "are not trained for that" and do not know how to differentiate intelligence, which is "a finished product," from a report, which is "any story which could allow arriving at the truth."

"The myth was created that the spider's web of the intelligence community of the SNI, our ASI's are untouchable and many people try to maintain it to guarantee their job."

An accident which took place at the Federal University of Para on 10 March last year would show that despite being officially extinct the ASI's continued to be active among the students. The class in electrical engineering was suddenly interrupted by a 38-caliber revolver shot, revolver which fell out of the pocket of student Dalvo Monteiro de Castro Junior, a Carioca of 27 years-of-age. The shot killed Cesar Moraes Leite, 19 years-of-age, who was sitting in front of him.

It was confirmed that Dalvo was actually a Federal Police agent, in whose defense came the Federal Police Department superintendent in Belem at that time, Jaime Braun, who revealed part of his service record: "He is one of the best agents, having participated in missions of importance and has been active in the Brazilian embassy in Buenos Aires, fighting centers of subversion."

Megalomania

Politicians, clergymen and students of Manaus note that in recent years the secret service agents of the government began to act with more discretion. However, this does not mean a loss of prestige. The chief of the Amazon Region SNI agency, Col Delci Gorgot, frequently accompanies Governor Jose Lindoso in trips to the interior and takes part in the meetings with representatives of communities and associations.

Last year, during a mass in the Cathedral of Manaus which closed an assembly of clergymen on the problems of the Indians of South America, an official from the intelligence section of the Amazon Region Military Command spoke during the period reserved for the free expression of the faithful, expressing his hopes that the Indian problem would have a peaceful solution.

The intelligence services have certainly changed their methods but did not fade away. "Those who believe that the political opening is restricting the activities of the intelligence communities are deceiving themselves," says a former chief of the 5th Military Region Staff headquartered in Para, confidentially. A former artillery colonel, he asserts that the intelligence system is being constantly improved. "Intelligence in this country is becoming almost a megalomania," he said.

Already in the reserves after 35 years of service, calling himself "a military man body and soul," the colonel made another confidential disclosure: The SNI and other higher sectors usually have little confidence in the ASI personnel--Advisors on Security and Intelligence, which exist in the public organizations, because they believe they are untrained.

The colonel was not surprised at the predisposition of his comrades to increase the salary of the paid reserves to high levels in the areas of intelligence in private companies or state organizations.

Of the Five Chiefs, Two Became Presidents

The minister-chief of the SNI, Gen Octavio Aguiar de Medeiros, 59 years-of-age, has an assured place at the "nine o'clock meeting" and is one of the "household ministers" with an office in Planalto Palace and direct access to the president.

He is a long-time friend of the president, who is accustomed to saying "I have brothers and sisters born of the same father and mother but in Medeiros I have the brother God gave me." The functions and tasks he performs go beyond the limits of the post he holds and they spill over into areas of absolute trust. General Medeiros is a constant and discreet presence in Planalto. Close-mouthed, he speaks little, although he is invariably cordial in contacts with aides and frequenters of the palace.

He frequently disappears, almost without being noticed. His fame as a hardliner did not soften with the presidential commitment to a political opening. In the councils of government he is always there with a word of prudence, counseling against advances and precipitous actions. However, his support of the political plan of President Figueiredo is of public knowledge.

His unfailing inclusion in all the lists of possible presidents, always with the note of being the favorite if there is a hardening of the line, on one hand is justified by his exceptional position with respect to the president. However, on the other hand, it is explained by his simple exercise of the command of the SNI. Of the five chiefs of the organization, not one failed to make his mark in public life. The first, the founder of the SNI, Gen Golbery do Couto e Silva, has been the longest influence in the revolutionary cycle installed in 1964 and he has occupied the Civilian Household Office of the Presidency for seven years and during two administrations. From there he centralizes control of the administration and he projects a decisive influence throughout the political area. His successor in the directorship of the SNI, Gen Emilio Garrastazu Medici, jumped from there, after a quick passage through the command of the 3rd Army, to the presidency of the republic during the crisis which took place after the death of President Costa e Silva and the occupation of the government by the military junta. The chief of the SNI during the Medici Government, Gen Carlos Alberto Fontoura, had a more obscure fate but still nothing to be disdained: President Ernesto Geisel placed him in the Brazilian embassy in Portugal to protect him from possible terrorist actions by placing him under the protection of the Salazar dictatorship. However, the Portuguese revolution concluded by causing some embarrassments and requiring an ambassador who would be cut from another pattern.

Gen Joao Baptista Figueiredo, SNI chief during the government of President Ernesto Geisel, helped to design the outline of the tradition that the service tends to make presidents. He was the second out of four. This means that half of the SNI chiefs went directly to the presidential chair.

It will be up to Gen Octavio de Medeiros to break the tie, one way or the other.

BRIEFS

ILLITERACY RATE DATA—According to the National Survey of Home Samplings (PNAD) for 1979 revealed yesterday by the IBGE [Brazilian Institute of Geography and Statistics] the illiteracy rate in the country is 29 percent of the population over 5 years-of-age and 23 percent of those over 15 years-of-age. Those figures are different from those presented by MOBIL [Brazilian Literacy Movement] during the administration of Arlindo Lopes Correa, which stated that the rate of illiteracy among the population of those over 15 years-of-age was only 11 percent. Technicians of the IBGE believe that because of the small difference in time, the rates shown by the 1980 General Census will be practically the same as those of PNAD-79. The population of Brazil in 1979 was 114,757,000 inhabitants. The number of those above 5 years-of-age was 99,108,000. Illiteracy was divided into 20 percent in the urban areas and 47 percent in the rural. The urban population being greater than the rural, the real rate of illiteracy was fixed at 29 percent. [Text] [Rio de Janeiro O GLOBO in Portuguese 8 Apr 81 p 9] B908

CSO: 3001/168

ROMERO KOLBECK: NO DEVALUATION OF PESO

Mexico City JUEVES DE EXCELSIOR in Spanish 5 Mar 81 p 1

[Text] Gustavo Romero Kolbeck, director general of the Bank of Mexico, made an interesting statement in his report for 1980 to the effect that the financial authorities would not revalue the peso because that would cause economic chaos and would nullify the achievements of the last 4 years, nor will they devalue it because although the industrialist-exporters would benefit from this measure, it would harm the weak sectors of our population and would create, in addition, uncontrollable social tensions.

He reported that our money is backed by a primary and secondary reserve of \$7.243 billion, that the flotation system will be maintained, and that the changes that have taken place have amounted to a loss of 2 percent in 14 months.

He also stated that there will be an intensification of the effort to combat and reduce inflation which in 1981 will be below what it was in 1980. The money in circulation will be controlled so as to have an effect on prices. An inducement for permanent savings will be offered and at no time will new money be issued to satisfy government spending requirements.

There will be increased inducements for individual saving and an increase in credit to private individuals and businesses for the purpose of stimulating economic activity and achieving an estimated growth of 7.5 percent this year.

The stability of our money is guaranteed according to the foregoing indications. It is especially important to point out that a government effort is being directed toward fighting inflation, with the prospect that this year it will be below last year's. This will help our money to maintain parity which would be difficult to achieve if inflation were not reduced.



Gustavo Romero Kolbeck

9204
CSO: 3010/914

PST LEADER INTERVIEWED AT SECOND PARTY CONGRESS IN HAVANA

Havana TRABAJADORES in Spanish 23 Dec 80 p 4

[Report on interview with Rafael Aguilar Zalamante, secretary general of the Workers Socialist Party of Mexico [PST], by Caridad Lafita and Gabino Manguela at the Second Congress of the Communist Party of Cuba in Havana; date not given]

[Text] We are ready to defend Cuba, as we did in the sixties.

Among the many delegations which attended the Second Congress was that of the PST, whose secretary general, Comrade Rafael Aguilar Zalamante, granted us an interview.

"Our party is very young; it was established on 1 May 1975. In its statutes and principles it identifies itself as a Marxist-Leninist Party, whose aspiration is to satisfy the needs of Mexican workers. Our struggle for socialism has been legalized, for we have succeeded, by means of a constitutional reform in 1979, in having political parties considered legal entities.

"We are fighting for the unity and democratization of the working class," the Mexican leader stated. "These advances can be seen in the way the workers have been able to confront the economic crisis and have come out in defense of their interests, as for example the economic reform which increases the pay for a day's work, unemployment insurance and other measures. One can see an intensification of the workers' struggle and a strengthening of their brotherhood with the peasants."

Aguilar Zalamante tells us that between his first visit to Cuba in 1966 and the present time there has been an enormous qualitative change: the revolutionary process is well advanced and there is a working class with a high degree of organization and consciousness.

The conversation now turns to the area of Cuban-Mexican relations, which have been closer since Comrade Fidel's trip to Mexico and the visit, still fresh in our memory, by President Lopez Portillo.

"These reciprocal visits contribute to the solidity of our relations. Lopez Portillo stated that everything that happens to Cuba will happen to Mexico. And this is a matter of deep concern to all of us because we are prepared to defend the Cuban Revolution, as we did in the decade of the sixties."

Aguilar Zalamante was saying that the path that Cuba is now following, with its working class and its party in the lead, is the same path which his party will follow.

The work at an affair such as the Second Congress is very intense; time is valuable and Aguilar Zalamante gives us a final statement.

"We are making use of this occasion to alert the people of Cuba, for there are imperialist forces lying in ambush for the people of Mexico and their integrity. For that reason we must strengthen our ties. We face the same threats from the same enemy but we are certain that the Second Congress has given us everything we need in order to win."



Rafael Aguilar Zalamante, secretary general of the PST

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MAY 13, 1981